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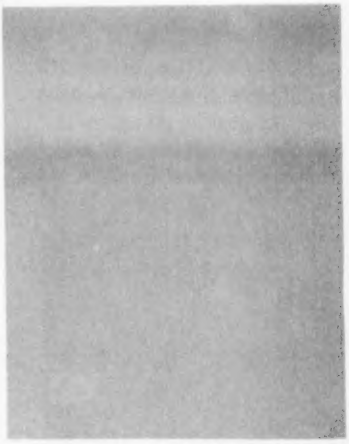

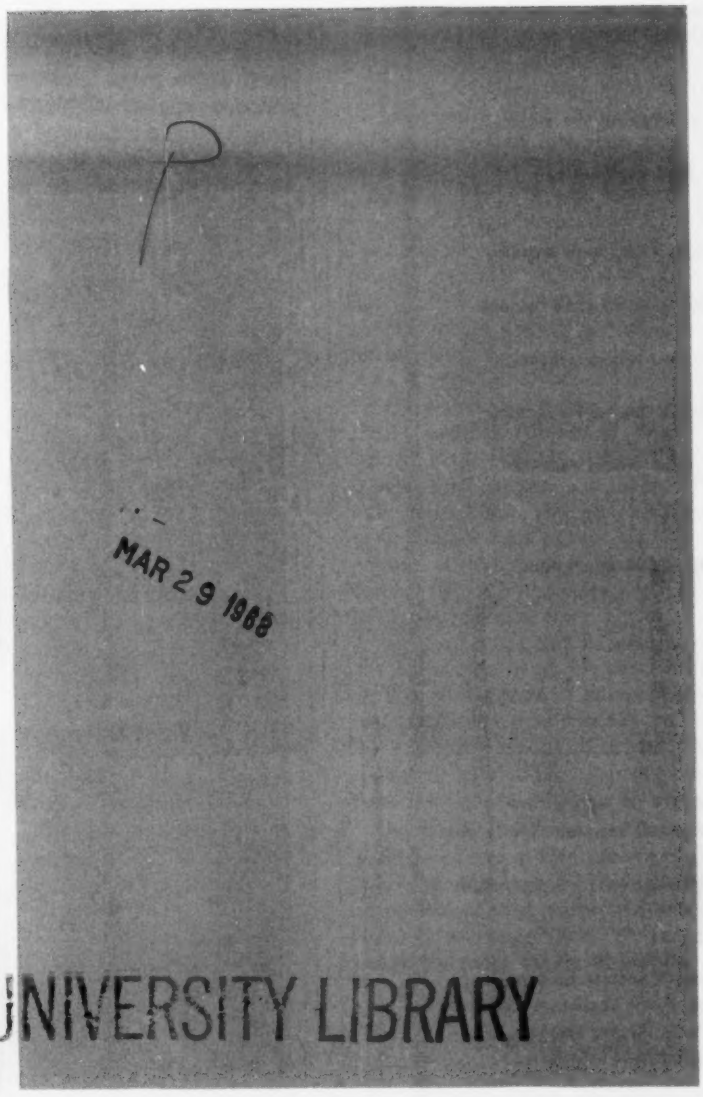

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BRITAIN CONTROLS FOOT-AND-MOUTH

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

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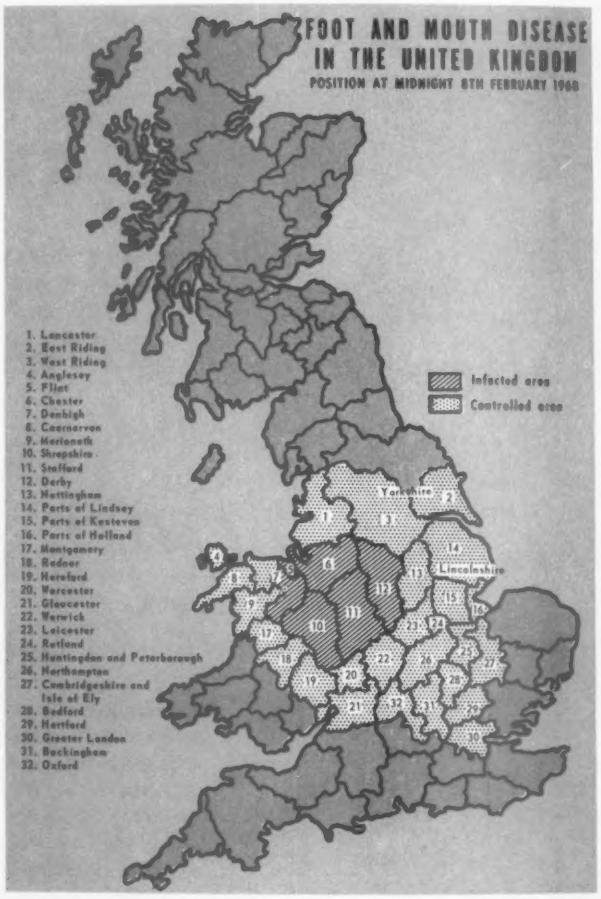
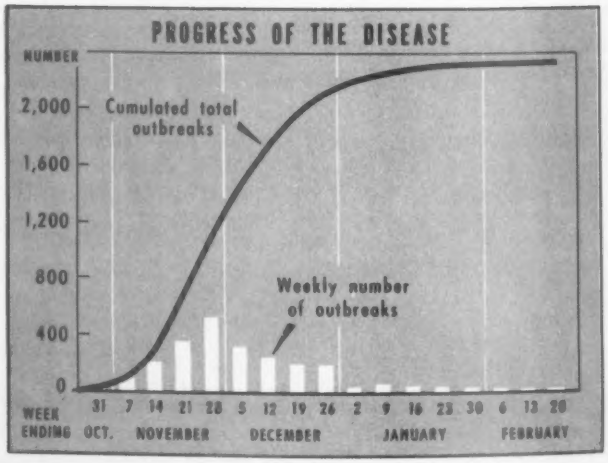
U.K. Foot-and-Mouth S

By KENNETH E. HOWLAND
Assistant U.S. Agricultural Attaché, London





th Scourge on the Wane

The disastrous foot-and-mouth epidemic in the United Kingdom has begun to abate, but not without first dooming hundreds of thousands of livestock and sparking heated debate over measures that should be taken hereafter to prevent such epidemics.

Although sporadic outbreaks still continue, Ministry of Agriculture veterinarians feel the disease is fully under control. And at latest report—for the week ending February 27—the number of outbreaks per week was down to 3 compared with the peak of 524 in the week ending November 28, 1967. Officials caution, however, that continued vigilance will be necessary over the next 2 to 3 months as occasional flareups are to be expected.

Meanwhile, emergency measures still continue in the United States—free of the disease for the last 36 years—to guard against its entry. This country's 3-month ban on imports of U.K. poultry continues, and precautionary measures are still in effect for imports of horses and farm-type dogs and the movement of persons, especially those who have been in rural areas or around livestock, from the United Kingdom into the United States. In some cases, these people must have their footwear disinfected before being allowed entry.

Eighteen counties hit in this most severe of British foot-and-mouth epidemics.

The British are quite knowledgeable in eradicating foot-and-mouth disease. They've had a great deal of experience in combating it—since few years pass without one or more outbreaks—and farmers are quick to recognize and report the disease. Nevertheless, this latest epidemic has claimed more animals than ever before in British history.

It began in the big dairy farming country of Shropshire on October 25, 1967, and from there quickly spread to other areas of England and Wales, reaching its peak on November 24 when over 80 outbreaks were reported. (See *Foreign Agriculture*, Dec. 18, 1967, for an earlier report on the epidemic.) By this time, outbreaks had occurred in 14 countries in England and 4 in Wales, and more than 10,000 people were engaged in fighting the disease.

Among these people were over 900 veterinarians (including teams from Australia, Canada, and the United States), plus army personnel, butchers, slaughterhouse employees, and heavy equipment operators from private construction firms.

Coordination of this vast team was carried out from the identification and eradication centers at Oswestry, Shrewsbury, Chester, Crewe, and Worcester in the three counties worst hit and from the control unit in Ministry of Agriculture headquarters, Tolworth.

Upon being notified of a suspect case, the control center would send one or more veterinarians to the infected farm, where they examined suspect animals and, if necessary, quarantined the farm and sent tissue specimens to the laboratory for verification. If clinical examination or laboratory tests verified presence of the disease, all animals on the farm were slaughtered immediately and buried in deep trenches or their carcasses were incinerated. The farm buildings, barn lots, and other areas were disinfected.

Movement of cattle through infected areas was also halted, except by special permit, and the strict quarantines were enforced. Disinfectant pads were placed across highways, while all unnecessary travel through and within infected areas was discouraged. Social gatherings were voluntarily suspended, and horse racing was banned.

Despite such swift and thorough response, the disease continued to spread unchecked, aided by the extreme livestock density in the area—said to be the densest in the world with the possible exception of parts of New Zealand. Moreover, the culprit virus was type O_1 one of the most virulent strains of foot-and-mouth disease, although not one unfamiliar to British veterinarians.

As a result, the disease's toll continued to mount through February, though at a slower and slower rate. As of February 26, 1968, livestock slaughtered totaled 422,498 head, including 208,692 cattle, 100,344 sheep, 113,423 pigs, and 39 goats. Although these numbers add up to only about 1 percent of total U.K. cattle, sheep, and pig population, the slaughter figures for some infected counties show an alarming picture—more than 30 percent of the total livestock population in three counties. Hardest hit were the dairy herds of Chester, Shropshire, Stafford, and Flint counties.

The financial cost of the epidemic has been high.

Total compensation payments to farmers for slaughtered cattle is in excess of $68.4 million, with more payments scheduled, and could well rise to over $72 million. In addition, the epidemic has caused the loss of about 60,000 tons of meat and 80 million gallons of milk. Direct costs attributable to eradication are difficult to determine, estimates say more than $240 million.

Of course, indirect costs of the epidemic in the form of higher meat prices, loss of farm income, slump in retail trade caused by restricted movement, and loss of income and tax revenue from suspension of horse racing and livestock auctions form an ever-widening economic ripple—the impact of which is impossible to assess accurately. Much of the cost of the epidemic cannot, of course, be equated in monetary terms. Money cannot compensate for loss of pedigree blood lines extending back many generations, nor can a price tag be put on the human effort wasted in building a lost herd.

With the epidemic on the decline, attention has shifted to restocking farms.

Ministry of Agriculture regulations permit restocking of a farm 6 weeks after slaughter of infected animals or 4 weeks after completion of disinfecting and cleaning of premises, whichever is sooner. Consequently, restocking has already been undertaken on many farms in the infected area, and the National Farmers' Union estimates—perhaps optimistically—that it will be completed within 18 months.

One possible drawback to this ambitious schedule, however,

is the chance of another outbreak. Recently, there was an outbreak among restock cattle on farms in Worcester County, which had been infected 3 months ago and which fought the virus with procedures that were considered very stringent. Such recurrences may create doubt as to the length of time necessary before restocking is permitted.

The other problems connected with restocking farms ravaged by the disease are large but not insurmountable. There appears to be an adequate supply of quality cattle available in the United Kingdom, and no plans for large-scale imports have yet been made. The Ministry of Agriculture has set up advisory restocking centers, and the National Farmers' Union has compiled lists of cattle available for restocking. The pool, at last word, was approaching 100,000 head.

Although some farmers will probably choose this time to go out of dairying, either by early retirement or switching to cereals, the majority have no alternative but to go back into intensified dairy production. In Chester and Shropshire, for instance, 70 to 80 percent of the farms are either small all-grass farms geared wholly to milk production or large ones equipped for intensive dairying and limited cereal cropping. To encourage dairy farmers to diversify, the Ministry of Agriculture announced in December a plowing grant of $24 per acre for affected farmers who wished to convert grassland to cereal production. To date, however, only about 100 farmers in Shropshire and Chester have applied for the grant, covering about 20,000 acres.

Restocking efforts will probably include breeding heifers at just over 1 year of age instead of the usual 2 years. Considering the nearly 100,000 heifers in the infected areas now ready for breeding, this should help bring cattle numbers back up close to levels before the epidemic. Farmers are also likely to reduce the culling rate for older cows and get more strictly dairy animals by limiting the practice of crossbreeding dairy cows to beef bulls.

Restocking of sheep and pigs poses a less severe problem, although the spring lamb crop from slaughtered ewes is, of course, lost. No lasting problems from pig losses are expected, primarily because of the short, 10-month, life cycle of pigs.

Both the Ministry of Agriculture and the National Farmers' Union have stated they will do everything within their powers to see that sellers will not take advantage of the emerging strong demand for breeding stock to drive prices unduly high. (Some groups have even suggested that the Meat and Livestock Commission consider imposing a levy on imported meat to provide funds for restocking.) It is considered likely that the government will also exempt from taxable income the payments made to farmers in compensation for condemned dairy cattle by treating them as capital assets.

Beef ban no longer to be used as a means of protecting against the disease.

In view of the huge losses caused by the epidemic and the problems involved in restocking, the British Government has been reexamining its policy on how to combat foot-and-mouth disease and keep it out of the United Kingdom.

Since the epidemic began, part of this policy has been a ban on beef imports from foot-and-mouth endemic countries (notably Argentina). But it is to be lifted on April 15, while a ban will continue on imports of fresh, chilled, and frozen lamb (and their offals), reflecting recent findings that infected Argentine lamb caused the first outbreak of the disease. Since British meat trade

LIVESTOCK POPULATION AND NUMBERS SLAUGHTERED IN BRITISH COUNTIES AFFECTED WITH FOOT-AND-MOUTH DISEASE—October 25, 1967, to February 13, 1968

		Cattle			Sheep			Pigs		
County	Outbreaks	Population	Slaughtered	Percent slaughtered	Population	Slaughtered	Percent slaughtered	Population	Slaughtered	Percent slaughtered
England:	*Number*	*Number*	*Number*	*Percent*	*Number*	*Number*	*Percent*	*Number*	*Number*	*Percent*
Chester	1,014	277,100	90,029	32.60	90,600	15,934	17.60	135,000	42,714	31.60
Derby	50	214,400	5,259	2.41	186,000	3,805	2.04	50,900	500	.01
Gloucester	8	219,100	1,049	.48	266,200	507	.19	124,200	2,256	1.80
Hereford	5	176,700	1,095	.62	563,800	4,251	.75	63,900	927	.01
Lancaster	21	337,300	2,623	.78	396,200	3,097	.78	303,200	871	.03
Leicester	1	172,600	64	.37	203,100	13	.01	73,700	--	--
Lincoln	6	212,600	1,087	.52	357,800	1,052	.03	250,600	1,949	7.77
Northampton	4	128,100	319	.25	302,100	795	.03	67,000	74	--
Nottingham	2	107,300	299	.28	88,500	24	--	96,800	51	--
Shropshire	714	340,000	64,978	19.10	577,900	38,890	6.70	170,000	38,423	22.60
Stafford	132	269,100	12,737	4.73	150,600	6,299	4.20	105,100	3,923	3.73
Warwick	2	148,400	265	.18	217,700	662	.03	87,900	23	--
Westmorland	1	136,800	48	.35	493,800	76	--	12,000	--	--
Worcester	32	114,100	2,912	2.55	224,400	6,268	2.79	101,300	3,610	3.56
Total England	1,992	2,853,600	182,764	6.40	4,118,700	81,673	1.98	1,641,600	95,320	5.8
Wales:										
Denbigh	84	130,900	7,834	5.98	606,600	5,861	9.66	39,900	3,945	9.88
Flint	191	73,200	12,936	17.70	99,700	7,198	7.21	35,100	10,506	29.90
Monmouth	1	97,600	31	.03	292,400	82	--	13,400	--	--
Montgomery	63	141,800	3,560	2.51	799,500	4,675	5.80	32,900	3,502	10.60
Total Wales	339	443,500	24,361	5.50	1,798,200	17,816	.99	121,300	17,953	14.80
Grand totals	2,331	3,297,100	207,125	6.28	5,916,900	99,489	1.68	1,762,900	113,273	6.42

with these countries has in the past been mostly in beef, it can be restored to near-normal levels following the April 15 action.

Many persons and organizations, however, feel that lifting the ban on beef is the wrong move—that the best way to prevent future outbreaks is to avoid imports of all fresh and frozen meat from countries with foot-and-mouth disease. They point to the policies of countries free from the disease—the United States, Canada, New Zealand, Australia, Ireland—as support for their case. They also point out that the Ministry of Agriculture has officially attributed over 50 percent of all outbreaks since 1952 to bones and scrap from imported meat (some beef) in swill.

These people see the ban as a way to make England free from foot-and-mouth disease and to increase per capita output of meat. They discount the argument that restricting meat imports would drive red meat prices to intolerably high levels, pointing out that over 86 percent of U.K. beef in 1967 was home produced or Irish and only about 10 percent of total beef supplies came from foot-and-mouth endemic countries. Those supporting the ban argue further that imports from endemic countries amount to only 4 ½ percent of total U.K. meat supplies, excluding poultry, and that any price rise due to restricted imports would be tempered by consumer resistance and substitution of other types of meat.

There seems to be some merit to this argument. Although average prices for English beef increased from 32 cents a pound before the epidemic to 40 cents a pound early in January and are now around 36-37 cents a pound, this is still about 2 to 3 cents per pound less than the Chicago average in January for "good" grade carcass beef. Prices for lamb, pork, and poultry have edged up too, indicating some substitution resulting from reduced supplies of beef.

Groups backing removal of the beef ban feel that measures other than trade restrictions could be taken to effectively prevent the disease. Major among these is mandatory cooking of meat scraps and garbage intended for swine. (Not mentioned in the argument is the problem of household meat scraps and bones, which would be much more difficult to control.) They feel that banning imports of low-priced quality beef from Argentina and Uruguay is unrealistic in light of the current rise in food prices and, in effect, would hold about 500,000 to 600,000 prime beef cattle out of the U.K. market, not to mention large quantities of manufacturing meat. Also, they feel that encouraging domestic production would put an unjustifiable burden on the taxpayer, since before the outbreak the government had already been paying out more than $2.4 million per week in price-guarantee payments to U.K. livestock producers.

But the primary question facing the government is that of deciding whether to continue the slaughter eradication program in the case of future outbreaks or to adopt a program of vaccination. Here again there are strong arguments for both sides.

Although the Ministry has considered a vaccination program (large supplies of 0_1 vaccine were obtained early in the epidemic and have been held ready), they have so far declined to use it. Interests opposing vaccination point out that there is no all-purpose vaccine to protect against the seven major types of virus and the more than 50 subtypes. Also, a vaccination program to be effective would require vaccinating all livestock susceptible to the disease at least twice each year—including pigs, for which no reliable vaccine has been developed, although promising experiments are underway. Then, too, the cost of an effective vaccination program would be high—perhaps $120-144 million (with the per head cost of the injection for cattle at about 60 U.S. cents, sheep 48, and pigs 72).

Those opposing vaccination in favor of a slaughter policy point out that aside from the high cost and unreliability of such a program, vaccination would result in a large number of carriers—animals which suffer no outward effects from the disease but are nevertheless infectious themselves. Such a situation, it is felt, would cast a dark shadow on the attractiveness of U.K. breeding stock to importing countries—particularly the highly developed countries that are now the major markets for these expensive purebred animals.

These people point to France's program as an example. They say that the French, using a combination program—vaccinating cattle only once a year and slaughtering infected and contact animals—have suffered no serious losses from the disease since their program was put into effect. In addition, they say that French exports of breeding stock have apparently not been affected by vaccination; in fact, many countries specify that imported stock must be vaccinated.

The government's decision on whether to continue a slaughter policy or to vaccinate is not yet known. Ministry of Agriculture research veterinarians have been weighing all aspects. There are indications that an annual vaccination program for cattle only using a polyvalent vaccine effective against types A, O, and C—those most prevalent in Europe—could bring the cost of an effective program down to around $24 million to $48 million.

It may be that the government will adopt a combination slaughter-vaccination program as the only realistic approach to containing future outbreaks. It is possible that even if imports of meat from endemic countries were permanently barred, England's proximity to Europe could handicap efforts to prevent introduction of the disease, although Ireland's disease-free situation tends to belie this point.

At any rate, one question being considered by the commission investigating foot-and-mouth disease is an alternative to the current slaughter policy. Though the findings of the commission are not expected to become known for months, one thing is clear—regardless of disease source or means of eradication, England can ill afford another epidemic of this magnitude.

Australian Seed Need Acute

Pasture seed production in Austalia for 1968 will be the lowest in many years owing to the drought in southeastern Australia during December-February this winter. As a result, substantial imports of many seed varieties will probably be required, and the United States can expect to find a sizable market in Australia for perennial rye grass. Also expected to be in strong demand are lawn grasses—bent, brown top, and Kentucky Blue grass.

Production in Victoria and southern New South Wales, the major producing areas, was most seriously affected. Perennial rye grass has been the hardest hit of all varieties. Estimated production of certified seed is only a fraction of the output of recent years, and stocks from the 1967 season are almost exhausted. Thus, supplies will be extremely short, necessitating sizable imports from New Zealand and the United States. Production of phalaris tuberosa (harding grass) seed may reach only 10 percent of the 1967 harvest. There is a reasonably large carryover of this type from last year, but imports may still be required. Subterranean clover seed will be in short supply in the eastern States. Requirements here will be largely filled from Western Australia, reducing Australia's exportable surplus of subterranean clover to practically nothing this season.

The effects of the drought have not been severe on other types of clover, which are generally produced in more favored areas or under irrigation. White clover and strawberry clover seed production, in fact, was significantly higher than last year.

OECD Report on
The Food Problem of Developing Countries

The food problem is not new. It is as old as recorded history.

There is a new story, however, in the food problem of today. Man now has the technical knowledge to bring the age-old problem of famine and food shortages under his control.

Exploration of the "how to do this" is the primary focus of this new treatise, *The Food Problem of Developing Countries.** The author is Thorkil Kristensen, Secretary-General of OECD (Organization for Economic Co-operation and Development).

Dr. Kristensen made this study of the world food problem at OECD's request following recommendations adopted by the OECD Development Assistance Committee (DAC) at its Washington meeting in July 1966. The countries making up DAC supply nearly all the development assistance going to the less developed countries.

At the Washington meeting, attention was directed to the relative stagnation of food production in the face of the rapidly rising population in many of the developing countries. Member governments of DAC were urged to strengthen their development assistance programs in the field of agricultural development. The Committee requested the Secretary-General to study the effectiveness and coordination of bilateral and international programs and to report to OECD his findings and proposals for maximizing their effect.

The Secretary-General concludes in his report that "most of the increased demand for food in the developing countries can—and should—be met by expansion of the agricultural production in the developing countries themselves." And further, that "such expansion deserves a high priority in development planning as well as in the aid policies of donor countries."

The projections made by the Secretary-General in his study, however, indicate that for many years to come the demand for food in the developing countries will increase faster than will their food production. He emphasizes that because of this widening gap the OECD countries (which include most of the "rich" countries of the Free World) will have to help finance the food imports these countries need, especially by providing food and agricultural aid in other forms, and by assuring markets for the products of developing countries. The critical problem is not a shortage of food from the "rich" countries to fill the gap, but a shortage of foreign exchange to import the food now needed and the capital and technical assistance needed to raise productivity in agriculture.

Dr. Kristensen's conclusions and policy proposals are based on analyses given in six chapters. In the first chapter, he discusses the fundamental problems concerning food and development as the overall background for the major policy issues. He presents projections to the year 1980 in which he foresees an increasing need for food imports for the developing countries as a group, although certain of them will have an export surplus in food products. He also discusses some factors underlining the longer-term aspects of the food problem, to the year 2000 and beyond.

Later chapters discuss aspects of trade and aid, problems of agriculture in developed and in developing countries, and possible innovations in food production.

The food situation in developing countries cannot be considered apart from population. His sixth chapter reviews the prospective growth in world population to six billions or more by the year 2000 and the consequences of this growth. Special importance is given to the various kinds of decisions families and governments will have to make and the need for a variety of methods and policies on population control.

These chapters are wide ranging in their scope and content, but focused in the direction of proposing how the "rich" countries can achieve improved effectiveness in their aid programs. These proposals Dr. Kristensen summarizes under seven general headings.

Increase the flow of aid to developing countries, with emphasis on aid to agriculture and on population policies. Dr. Kristensen proposes a special program of grains, milk powder, and fertilizers.

Establish more "rational" agricultural policies in developed countries. Protection and other forms of price support have encouraged production increases leading to surpluses, especially of grains and milk. The Secretary-General proposes that agricultural price supports should be gradually reduced.

Develop more "rational" trade policies to give developing countries maximum access to markets for both their agricultural and industrial products.

Speed up flow of private investment capital in agro-allied industries in developing countries. Capital directed to the fertilizer-manufacturing industry would be specially useful.

Help developing countries upgrade and apply research. OECD should help developing countries undertake necessary research and train research workers of their own. OECD science committees should examine how research to stimulate innovations—such as high-yielding varieties and synthetic industrial food production—can be organized systematically through international cooperation.

Closer contacts should be maintained between developed and developing countries. Emphasis is placed on this general recommendation and the need of doing this the "right way."

The several regional and international organizations working on aspects of the food problems should cooperate more closely.

Some of the report's proposals relate to actions already underway; others represent new approaches. The United States and other countries have already stepped up development assistance in agriculture, at the same time stimulating the efforts of the developing countries themselves, the major thrust of the 1966 DAC meeting in Washington. OECD has sponsored various seminars bringing representatives of private enterprise, foundations, and developing countries into dialogues and discussions with the donor countries. DAC is following up the Secretary-General's report by focusing first on individual country studies. Some proposals relate directly to program activities of the agriculture, science, and trade committees of OECD.

KENNETH E. OGREN
Agricultural Attaché, U.S. Mission to OECD

Note: The 21-nation OECD was organized in 1961 as a successor to the "Marshall Plan" OEEC. Its present members are Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Japan (joined in 1963), Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States. Fourteen of these countries plus Australia comprise DAC.

*Copies of the report are available from OECD Publications Center, Suite 1305, 1750 Pennsylvania Avenue, N.W., Washington, D.C. 20006. Price: $3.00.

Foreign Development Aids U.S. Farm Exports

By RAYMOND A. IOANES
Administrator,
Foreign Agricultural Service

In the past 2 years, U.S. agricultural exports have become a tremendous national asset, giving invaluable help to our balance of international payments. In this period, it has been farm product exports that have kept the U.S. commercial trade balance on the favorable side. In 1967, for example, agricultural exports sold for dollars exceeded agricultural imports by $585 million, whereas nonagricultural shipments fell short of nonagricultural imports by $400 million.

One of the main reasons for the growing success of agricultural exports has been expanding demand in foreign markets, supported by rising economic development.

As a nation, we sell the most to the economically developed countries whose industry and agriculture support jobs and purchasing power: we sell less to the countries that have not quite achieved economic development; we sell virtually nothing to the countries that have only started to develop.

USDA's Economic Research Service found that in 1964 countries having per capita income of over $600 per year bought commercially $7.88 worth of U.S. farm products per person. On a per capita basis, income of $200 to $600 meant sales of $4.18, while income of under $200 resulted in dollar sales of only 30 cents.

Japan is a classic example of the "prosperity-sales theory." Since 1962 Japan's gross national product increased at an annual average rate of 8.7 percent—while U.S. farm exports to Japan almost doubled, rising from $485 million to $939 million in 1967.

Today Japan is our leading market—and biggest buyer of U.S. wheat, feedgrains, soybeans, and cotton as well as tallow, hides and skins, lemons, and raisins. It's a heavy purchaser of tobacco, rice, chickens, and barley.

Stages of economic development

Economic development is a dynamic process. A rise in the rate of investment to something like 10 percent is essential to growth. So is emergence of one or more substantial manufacturing sectors, plus a political, social, and institutional framework that encourages expansion. Investment increases output, which provides a surplus for further investment, further increases in output, and so on. Like a jet plane picking up speed as it moves down the runway, the economy of the country eventually "takes off" and becomes self-sustaining.

One authority distinguishes three categories of economically developed countries. In addition to the "takeoff" stage, when resistance to steady growth is overcome, there is also "maturity," the ability to broaden the industrial base that made takeoff possible, and, finally, "high mass consumption"—a stage the United States is in now—where there is heavy production and mass use of such durable goods as automobiles, refrigerators, color TV's, and other symbols of an affluent society.

Development takes place all the way across the board. It is still going on in the United States, Canada, Western Europe, and other countries that have reached the stage of high mass consumption. Oftentimes this expanding prosperity in the industrialized countries brings market changes in the pattern of U.S. agricultural exports.

For example, as Western European countries have increased their gross national products and per capita incomes, they have upgraded their diets by consuming more livestock products—notably meat, including poultry. In Western Europe, meat consumption has risen 10 to 35 percent, as compared with levels in the late 1950's. The bigger herds and flocks required to meet the demand for meat have meant an increased need for U.S. feedstuffs. U.S. oilseed and feedgrain exports now exceed $1 billion each.

Some promising new markets

The developing countries, also, continue to improve their economies. And unless we keep an eye on them, we risk overlooking some market opportunities. Several of the smaller countries have substantially increased their dollar buying of our farm products, decreasing their dependence on our food aid under Public Law 480. This trend, which may well continue, has been noted in the following countries.

Jamaica, the Bahamas. The tourism that Cuba once enjoyed is combining with other factors to create prosperity.

South Africa. Dollar buying of U.S. farm products increased from $13 million in 1957 to over $47 million in 1967.

Liberia. Iron ore and rubber exports are helping to bolster its economy.

Libya. New oil fields are expanding the purchasing power of its people.

Israel. This country continues its rapid rate of development despite tensions.

Taiwan. Dollar buying has risen from less than $1 million in 1957 to $59 million in 1967.

Okinawa. This is a "sleeper" that has expanded its purchases of U.S. farm products from $3 million to $20 million in the past decade.

South Korea. Economic development is moving forward rapidly.

In all of the countries mentioned, annual increase in the gross national product has ranged from 5 to 10 percent in recent years. Some of the countries—especially Israel, Taiwan, and South Korea—have received substantial U.S. food aid under P. L. 480, which has helped them, as it is helping other needy countries, to buy the time needed to develop their own agriculture and industry. Their growing potential as a U.S. market is an extra dividend from our efforts to combat hunger and starvation.

Shipments to two "export worlds"

A final observation about economic development: For all practical purposes, the United States ships farm products to two "export worlds."

We make the bulk of our commercial, or dollar, sales in the developed world. This consists, in the main, of Western Europe, Japan, Canada, and a few others. In fiscal year 1967 these countries accounted for a substantial part of the $5.2 billion in commercial exports. Commercial exports made up roughly three-fourths of the total $6.8 billion worth of farm products shipped. The remaining one-fourth—or about $1.6 billion worth—went to the underdeveloped countries of Asia, Africa, and Latin America under the Food for Freedom - P.L. 480 program.

I think we are all looking forward to the day when there is only one export world—the commercial. That goes for the developing countries, too. They all want to stand on their own feet. We believe we are helping them do that when, as a condition for receiving our food aid, we ask them to do more themselves to increase their food production and slow their rates of population increase.

Based on remarks at the 49th Annual Meeting, Agricultural Council of California, February 27, 1968.

USDA's Economic Research Service, in its annual survey of the world agricultural situation, focuses this year on certain developments important to U.S. agriculture. Below, Foreign Agriculture *presents highlights from several of these special sections.*

World Agriculture: 1967 Review, 1968 Outlook

The world's agricultural output in 1967 broke the record set in the previous year, largely because of food production gains in the less developed countries. To the new record, heavy contributions were made by two commodity groups important in U.S. trade—foodgrains and feedgrains. A third commodity, however—cotton—had a second year of low production. Two of the areas that figured importantly in world agricultural trade news were Latin America, by the record grain crops it harvested, and the Middle East, by the military crisis that closed the Suez Canal.[1]

World Foodgrain Crop a New High

World production of foodgrains advanced in 1967 for the second consecutive year, to an all-time high of 571 million metric tons. The wheat harvest was just below the previous year's peak; it was the record rice harvest that pushed the foodgrain total to the new height.

Wheat crops were record-breaking ones in the United States, Western Europe, Eastern Europe, India, and Turkey; average in the USSR, Canada, and Argentina; poor in Australia.

In the USSR, world's largest producer, 1967 wheat production and procurements were well below the exceptionally high 1966 levels. But with much larger beginning stocks in 1967-68 than in 1966-67, plus 2 million tons of Canadian wheat set for 1967-68 delivery, the USSR is again in a net export position. Last August, the Soviet Minister of Foreign Trade forecast 1967-68 exports at about 5 million tons, mainly to Eastern Europe, the United Arab Republic, and Cuba.

In the United States, the wheat supply situation for 1967-68 was almost the reverse: small beginning stocks and therefore—despite a record crop—a supply well below that of any recent year except 1966-67. In the first half of 1967-68, exports ran about 10 percent below those of a year earlier; but they are expected to recover in the second half.

Total supplies in the four major competing countries are somewhat below those of 1966-67; but so are the requirements of most importing countries except Japan and possibly India.

In Canada, stocks as of August 1967 were the highest since 1961—higher than U.S. stocks—and the outlook is for a further buildup this year. Increased inputs offset some of the effects of drought, making 1967 yields surprisingly good. At the same time, export prospects are smaller; the USSR has curtailed its heavy purchases of Canadian wheat, and Mainland China thus far has bought less for 1967-68 delivery than it did last year.

In Australia, a record acreage was planted in 1967; but 15 percent went unharvested because of severe drought, and yields on much of the remainder were low. There is enough wheat to meet export commitments, but sales in 1967-68 (December-November) will probably decline from last year's high levels.

In Argentina, depleted stocks trimmed wheat sales during 1966-67 (December-November) to about half the previous year's high level; wheat exports were under government ban from June to October. But with its 1967 wheat area the largest in 20 years and an average crop expected, Argentina is now back in the export business, even though its beginning stocks were low.

In France, after a sharp export drop in 1966-67, larger supplies are available, and the grain agency (ONIC) has forecast a recovery in soft wheat sales. Despite a recent sale to Mainland China, this forecast could be optimistic. Import needs are down in other European Economic Community countries, where excellent growing and harvesting weather boosted yields 20 percent above the 1962-66 average and crops to a record total. Eastern Europe too needs less wheat, and the USSR should be able to provide most of its requirements. In addition, Spain has another large surplus of soft wheat for export.

World rice production, after a 4-year period with little change, took a 10-percent leap in 1967. Mainland China, biggest producer, is said to have had a near-record crop; and records were shattered in India, Pakistan, Japan, the Philippines, and the United States. But two Asian Rice Bowl countries fared less well; Thailand's crop was cut about 15 percent by drought, and Burma's rose only slightly from last year's low level.

The world's rice production record is not reflected in exportable supplies, for most of the increase took place in the importing countries. But the combination of bigger supplies both in Mainland China and in two major Chinese outlets—Japan and Pakistan—may mean more Chinese rice competing for markets in Europe and Africa. Nonetheless, the 1968 outlook is still favorable for rice exports from the United States, which in 1967 became the leading rice exporter, with 1.7 million tons (milled), of which about 1 million was commercial exports. (Most of the government-financed shipments go to South Vietnam.)

World Feedgrain Crop a Record

World production of feedgrains, which had averaged about 345 million metric tons in 1960-65, expanded rapidly during the past 2 years. The world total (Communist Asia excluded) climbed to 384 million tons in 1966 and to 411 million in 1967. Record corn crops were harvested in the United States, Brazil, the Republic of South Africa, and Mexico; Argentina's reached a postwar high. Record barley crops were harvested in Europe, and bumper sorghum crops in the United States, India, and South Africa.

In the United States, which accounts for half the world's corn production, acreage had not changed much since 1964; but in 1967, an acreage increase combined with unprecedented yields boosted the crop 15 million tons over the previous high. Though total production of the four major feedgrains (corn, barley, oats, and sorghum) increased sharply, supplies rose only by 6 percent, to the 1965 level; for stocks were down 12 percent. Exports, exceptionally large in 1965-66 because of reduced supplies in major competing and importing areas, dropped back somewhat in 1966-67 when supplies in those areas improved. Keen competition continues; but for the first 4 months of the October-

[1] For details on these and other topics, see *The World Agricultural Situation*, FAER 38, Office of Information, USDA, Washington, 20250.

September marketing year. U.S. exports were up 10 to 15 percent from 1966-67; corn exports were up 30 percent.

Biggest feedgrain export advance in 1966-67 was made by Argentina, which moved out 6.5 million tons compared with the previous year's 3.7 million. More important than the size of the March 1968 corn crop in determining Argentina's corn exports during April-June 1968 may be whether it could ship out during January-March the larger wheat supplies it was expecting. Area sown for the 1968 corn crop was up 8 percent; that for sorghum, 15 percent.

The Republic of South Africa produced exceptionally large crops of feedgrains in 1967. Exportable supplies of corn and sorghum exceeded 5 million tons, but rail and port facilities could handle only about half during May-December 1967 (the first 8 months of the marketing year). Thus, much remains to compete on world markets during January-June 1968.

Canada's feedgrain supplies were below last year's, and for its principal feedgrains—barley and oats—world demand is less strong than for corn and sorghum. Mexico's feedgrain production increased somewhat in 1967, and with a 1967-68 export goal of 1-1.5 million tons, it had sold almost 500,000 tons of corn to Western Europe and Japan by the end of 1967, for November-March delivery. Brazil's large 1967 corn crop generated exportable supplies of more than a million tons, but less than half was shipped out during 1967, and year-end stocks were large. Australia's feedgrain exports may be sharply cut this year by the drought-based shortage of feed and forage.

In the principal U.S. market, Japan, purchases of U.S. grains leveled off in 1967 mainly because of increased competition from South African corn. But for 1968, the outlook there is favorable, with continued strong demand and some domestic production decline. Competition—particularly from South Africa and Mexico—will again be keen; but Japan has agreed to buy much less corn from Thailand because of the short crop there.

Excellent weather helped another major U.S. market, the EEC, harvest a total feedgrain crop about 3.5 million tons above its 1963 record. In the longer run, EEC production will be stimulated by new target prices, to become effective this fall.

The EEC's top producer, France, had 1967-68 export targets of 2.8 million tons for barley and 1 million for corn, primarily to other European countries. However, barley exports reached only about a million tons during the first half of the year.

The United Kingdom and Spain are the major non-EEC markets in Europe for U.S. feedgrains; but another record U.K. barley crop brought an exportable surplus of a million tons, and excellent weather in Spain boosted feedgrain output.

No Rise In World Cotton Output

World cotton production, which fell 10 percent in 1966, remained at a low level in 1967. Another large decline in the U.S. crop was balanced off by significant increases in India, Mainland China, Pakistan, and Brazil. Soviet production did not rise, but the U.S. drop made the USSR the top world producer.

The increases in India and Pakistan resulted from high yields, which for India came about through above-average rainfall, increased fertilization, and improved water management. In the United Arab Republic, despite heavy leafworm infestation, fairly effective control kept production about equal to the reduced level of 1966. In Turkey, production leveled off at a slight increase, after the very large one of 1966.

In Brazil, producers raised acreage above the reduced 1966 levels, anticipating higher prices; but in Mexico, acreage remained well below the 1960-64 average, and yields were reduced early in the season by drought and later by hurricane damage. In Central America, crops were again small. In Peru, insect damage and a shortage of irrigation water cut the extra-long-staple crop from nearly 220,000 bales in 1966 to 165,000 in 1967.

The 1967 U.S. crop—7.62 million bales (of 480 lb.)—was the smallest of this century, owing to the somewhat smaller acreage planted (a reflection of the acreage diversion program); to abandonment of about 15 percent of the planted acreage; and to adverse weather, reducing yields on the area harvested.

Since the 1966 crop had been even more sharply reduced (to 9.58 million bales, from the 15-million-bale level of previous year), a steep export recovery during 1966-67 after a 2-year decline had already cut U.S. stocks to only 12.4 million bales, compared with 16.9 million in 1966 and 14.3 million in 1965. Supplies for 1967-68 are the lowest of the decade, and by August 1968, stocks may have fallen to around 6.5 million bales. The 1968 U.S. Upland Cotton Program is designed to increase production, particularly of medium and longer staples.

Major U.S. export gains in 1966-67 were in shipments to Japan, India, Taiwan, and Italy. 1967-68 (August-July) began slow, with volume about a fourth lower than in 1966-67; but some recovery is expected as the year goes on. Several competing suppliers had low export availabilities for the second year in a row—Mexico, the UAR, and Central America. Brazilian production is expected to recover, but stocks last August were down. Turkey and Pakistan, however, have large supplies for export. At the same time, import requirements in foreign countries are expected to be about the same as in 1966-67—increases in India, Spain, Portugal, and a few other countries being offset by declines in countries such as Japan where stocks were built up in 1966.

News of Latin America, Middle East

Food production in Latin America, after a decrease in 1966, registered a sharp gain in 1967. The combined harvest of the three major grains was a record 57.3 million metric tons (34.6 million for corn, 12.2 million for wheat, 10.5 million for rough rice). Grain output rose 56 percent above the 1957-59 level; population, meanwhile, rose 29 percent.

Brazil, the area's largest corn and rice producer, increased acreages of these crops in 1967 following a reduction in the previous year. A record corn crop and a near-record rice crop were harvested; but limited port facilities kept 1967 corn exports below expectations, and strong domestic demand reduced exports of rice. Brazil boosted its wheat imports about 15 percent in 1967, using the difference between the actual cost of imported wheat and the new increased price of it to millers (about $17 a ton) to spur local wheat output, along with a 20-percent rise in the producer price. The corn minimum too was raised. Stimulated by these prices, the acreages seeded to rice, wheat, and corn are estimated to have risen 30, 20, and 5 percent.

Argentina bought 170,000 tons of foreign wheat in 1967, pending its December harvest. Owing to increased acreage, and despite a late-season drought, that harvest about equaled the 1962-66 average. With plantings of corn and grain sorghum also increased, the 1967 corn crop set a postwar record and the sorghum crop was the third largest ever. Beef production, however, dropped off in late 1967 as stockmen rebuilt herds; and packers were squeezed between high domestic cattle prices and dwindling meat export prices. The beef export outlook was further darkened by devaluation in the United Kingdom and Spain, combined with the U.K. dock strike and ban on meat imports from South America. These are Argentina's main markets for its exports of chilled and frozen beef.

Mexico, which had had an initial success in 1966 in shifting acreage from surplus crops like wheat and corn to deficit crops like sorghum, rice, and oilseeds, had an odd reversal in 1967. Despite lower support prices for wheat and corn, acreage of both crops increased; more fertilizer and better varieties boosted wheat yields to result in a record crop; and the corn crop too set a record. The rains that accompanied the 1967 hurricanes, though destructive to property and nonfood crops in Mexico, were generally beneficial to food and feed crops. Rice cultivation has replaced corn in some newer irrigation areas, and Mexico is now close to rice self-sufficiency.

The Mexican cattle industry continued to grow steadily in 1967. But, with domestic demand outrunning production, beef exports declined; and exports of feeder cattle to the United States were near the level of the most recent 5-year average. Low producer prices and continued uncertainty about land reform have discouraged expansion by large ranchers.

Agricultural production in the Middle East does not appear to have suffered any major disruptions from the Arab-Israeli conflict of June 1967, except in Jordan. Average or above average crops were harvested over most of the area; Israeli and Syrian crops, in particular, were much larger than those of the 2 years that preceded the 1967 crisis.

But Jordan's loss of the West Bank of the Jordan to Israel affected the economies of both countries. Most of the refugees from the West Bank are now increasing the relief rolls of the East Bank refugee programs. The West Bank produced 20 to 25 percent of Jordan's grain, 70 percent of its fruit, and 40 percent of its vegetables (all in value terms)—products already in good supply in Israel except for grain; and the Israili Government has allowed much of the West Bank's food production to be sold on the East Bank.

In the United Arab Republic, grain is grown under irrigation and production does not fluctuate significantly from year to year. The UAR's grain deficit in 1967 was covered by imports of 100,000 tons of corn and about 2.2 million tons of wheat and flour (in terms of wheat)—58 percent from the USSR, 21 percent from Eastern Europe, and the remainder divided among Spain, Mainland China, and France. The UAR has signed for about 500,000 million tons of grain for January-March delivery, mostly from the USSR. Most UAR imports have been on extended-payment terms of between 18 months and 5 years.

Beyond the countries directly concerned in the Middle East crisis, others have felt its impact through the closing of the Suez Canal. Since the closing, rates for grain shipments from U.S. Gulf ports to India via the Cape of Good Hope have been quoted at between $1.50 and $3.50 higher per short ton than benchmark rates quoted "via Suez". Shipments to Europe from countries in East Africa, Asia, and Oceania have had to contend with higher costs and delays, and some of the countries have had to find alternate markets. This burden has been heaviest for East Africa, Pakistan, and India, whose trade routes to Europe are now proportionately longer than those of other countries. Still, the 1967 closing has had less impact than the 1956 one; for, in the interval, many large freighters have been built which cannot use the Suez Canal. Also, where trade is bound by bilateral agreements or preferential treatment, the cost of alternate routes has only a minor effect on its direction.

Philippine Hard Fibers Have Mixed Prospects

The two major hard fibers produced by the Philippine Republic have opposite prospects: gloomy for abaca—by far the principal fiber produced—but favorable for coir. Abaca production and exports are in a long slump, while for coir both are rising.

Producer of more than 95 percent of the world's abaca, the Philippines suffered an additional setback to its declining abaca industry last November when a typhoon severely damaged 25 to 30 percent of the plantations in Southern Luzon, one of its three main abaca areas. Since new plantings normally take a year to come into full production, the crop in Southern Luzon would return to normal in late 1968—provided that producers replant to abaca. But with foreign demand on the decline and prices depressed, much of the area may be planted to other crops.

Last year was the second consecutive one of decline in abaca output, with the crop down to an estimated 195.6 million pounds—more than 30 million pounds, or 13 percent, less than in 1966. Yet there are still some 4 million pounds more abaca on hand than is needed for exports and domestic consumption.

Part of this surplus results from the need for immediate stripping of plants blown down by the typhoon, to prevent total loss. Part, however, is due to a steep decrease in the use of abaca for cordage manufacture, both local and foreign. Strong competition from synthetics and from other natural hard fibers has pulled exports down to only 152.7 million pounds in 1967—19 percent below 1966 and 31 percent below the 1955-59 average. Shipments to the three main markets declined substantially. The United States took 47 million pounds, down 31 percent; Japan, 39 million, down 14 percent; the United Kingdom, 24 million, down 8 percent.

Production of unbaled abaca fiber, solely for domestic use, is believed to have been considerably lower than in 1966. Rope production—judged by cordage exports—was down; and use of abaca in the manufacture of other products such as rugs, mats, hemp squares, and other household articles has not increased fast enough to offset the loss in cordage manufacture.

On January 1 this year, the Philippine Bureau of Fiber Inspection Service reduced the number of abaca grades from 27 to 15—including residual and waste grades—and simplified their nomenclature. The new system took into account the needs of foreign buyers; and the government hopes it will help abaca producers meet the challenge offered by other fibers.

However, both the short-term and long-term outlooks for abaca are considered unfavorable. Trade sources forecast production in 1968 at around 126 million pounds—23 percent below last year's already low level. Government officials and industry leaders see no hope that abaca will recover its position in the world market, if that position is to be based upon cordage uses alone.

For coir, 1967 output was about 4.4 million pounds, up somewhat from 1966. Most Philippine coir is unbaled, going direct to local manufacturers; of the baled fiber—950,000 pounds in 1967—practically all is exported. Last year, exports jumped 46 percent to 908,000 pounds, 81 percent to Japan. Good market prospects are developing too in West Germany and France.

Coir is used in making rugs, mats, and other household articles and also in cordage (where abaca competes strongly). Coirflex, a mixture of coir fiber and latex, enjoys good demand from local and foreign manufacturers of cushions and mattresses. Production of coir baled for export has happy prospects; but the financial difficulties of local manufacturers may limit production of loose fiber.

—*Based on dispatch by* FRED W. TRAEGER
U.S. Agricultural Attaché, Manila

Record Feedgrain Shipment Bound for Japan

Delivery began last month at Corpus Christi, Texas, on the largest single cash export sale of grain sorghums ever made by American farmers. The sale of 200,000 metric tons was made by Producers Grain Corporation, Amarillo—a U.S. agricultural cooperative—to ZENKOREN—an agricultural cooperative in Japan.

The first installment on the $8-million order—37,000 metric tons—was loaded into a ZENKOREN ship from PGC's Corpus Christi port terminal on February 23-25. The ship sailed for Yokahama February 26, carrying the largest cargo of grain sorghum ever transported to Japan on one vessel. The remainder of the grain order will be shipped during 1968.

ZENKOREN (National Purchasing Federation of Agricultural Cooperative Associations) is the largest agricultural cooperative in the world and the world's largest individual cash customer for American grains. Producers Grain Corporation is a marketing cooperative serving over 60,000 grain farmers in southwest United States.

Details of the sale were worked out by ZENKOREN officials and Robert Boothe, PGC's director of field service, last November when Mr. Boothe was in Japan as a member of a cooperative feedgrain promotion team.

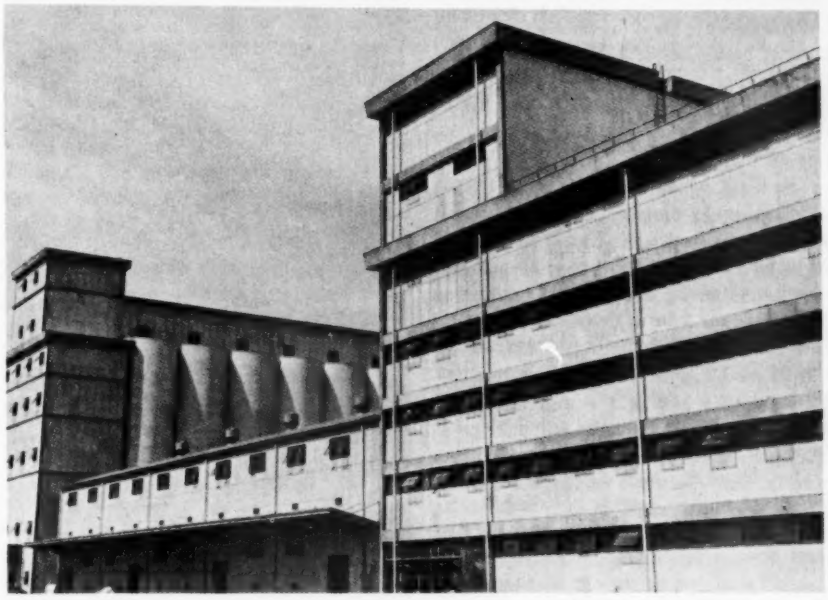
To commemorate the kickoff shipment, President Makoto Mihashi of ZENKOREN met with officers of PGC in a special ceremony on board the transport vessel in Corpus Christi harbor on February 23. The vessel, *ZENKOREN Maru NO. 1*, is a 38,000-ton bulk grain carrier launched last October. The trip from Yokohama to Corpus Christi—January 25-February 22—was its maiden voyage.

According to Japan's Ministry of Agriculture and Forestry, during Japanese fiscal year 1966-67 Japan imported 2.4 million tons of grain sorghum; 40.2 percent of this was handled by ZENKOREN. Of the 3.1 million tons of yellow corn imported, ZENKOREN handled 35.5 percent.

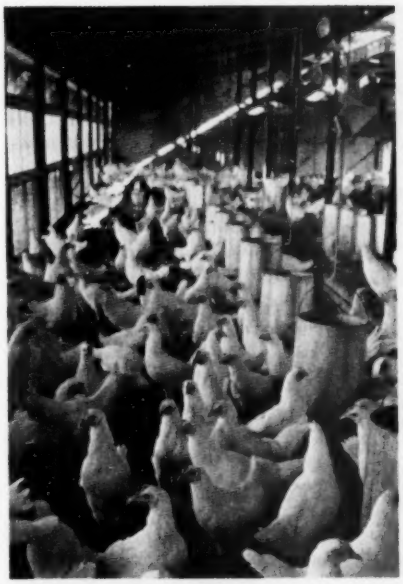
Japan continues to be a growing market for feedgrain imports because its own production of feedgrains is declining and as more and more feedgrains are needed in mixed feeds required by the growing livestock and poultry industries.

ZENKOREN currently handles about 40 percent of Japan's manufactured feed production and is aggressively seeking an even larger share. Mixed feed sales during its business year August 1966-July 1967 totaled 3.5 million metric tons.

Officials of the cooperative are forecasting a total Japanese mixed feed production of 14 million tons by 1969-70, of which ZENKOREN's share will be 7 million tons.



Above, one of ZENKOREN's largest feed mills, located at Kawasaki. Feed manufactured by Zenkoren is used to produce livestock and poultry, such as pullets, right.



Basis for ZENKOREN's increasing feedgrain needs is the built-in demand created by the animal-feeding activities of its 4.5 million members. As of February 1966 members were feeding some 1.3 million dairy cattle, 1.8 million beef cattle, 114.5 million laying hens, 31.9 million broilers, and 5.2 million hogs.

U.S. feedgrain exports to Japan, today's top dollar market for this commodity, totaled over 4.6 million metric tons in fiscal year 1966-67. They were valued at about $236 million, and represented about 26 percent of total U.S. feedgrain exports and 65 percent of Japan's feedgrain imports.

For the first time in fiscal year 1966-67, U.S. exports of grain sorghum to Japan exceeded exports of corn to that country. The grain sorghum shipments totaled 2.4 million tons, corn, 1.9 million tons.

Although Japan promises to remain the leading export market for U.S. feedgrains and the United States its major source of supply, competition is growing from other feedgrain-exporting countries. (See p. 9, *Foreign Agriculture*, March 11, 1968.) One way U.S. feedgrain export programs have been meeting this competition is by informing buyers in importing countries about the quality and dependability of U.S. grain export supplies.

This same message will soon be carried to ZENKOREN members in a film made by the cooperative in connection with the loading of the grain sorghum shipment last month.

The film, which was shot in various locations in the United States, will show step by step the handling of U.S. feedgrain from the time it leaves the farm until it arrives at shipside.

U.S. Team Sees Good Asian Wheat Markets

Prospects are good for the continued high level of cash sales of U.S. wheat to Japan, the Philippines, Korea, and Taiwan, according to a seven-member U.S. wheat trade team following a 3-week investigation of these markets.

The team, which was made up of USDA officials and representatives of wheat growers, was in the Far East from January 20 to February 9. Members met with government officials, flour millers, and grain importers to assure these customers of U.S. interest in their markets, to stress the United States as a dependable supplier of all major types of wheat at competitive prices, and to discuss any problems that buyers have experienced.

The United States is currently exporting about 125 million bushels of wheat a year for cash to the four markets visited. The team saw evidence that wheat consumption will continue to grow in all four Asian countries.

Team members were highly impressed with the work of Wheat Associates USA, a market development organization, which in cooperation with the U.S. Department of Agriculture has been representing U.S. wheat in Asia for the past 12 years.

In general, Asian customers are satisfied with U.S. wheat arrivals, the team reported. Open and frank discussions were held with buyers and users of U.S. wheat with respect to arrival quality, variations in protein, moisture, and weights.

It was clearly evident to the group that the current year is definitely a buyer's market. Also, these markets want to be assured that they can rely on the United States as a dependable supplier at competitive prices.

In the markets visited, noodles are a leading end use of wheat flour. The United States is a principal supplier of the types of wheats used for noodle flour—Western White and medium-protein Hard Winter wheats. However, the United States faces keen and continuing competition from Australian FAQ (fair-average quality) wheats for the noodle demand. Bread products are gaining in these countries as bakeries continue to improve. The United States is also the major supplier of bread-flour wheats—high-protein Hard Winter and Spring—but competition from Canadian Manitobas and Australian Prime Hards is ever present.

Wheats for every purpose

The United States has been supplying the growing Asian cash wheat markets with all major classes of wheat from West Coast ports. From the mission's contacts in the four markets, it was clearly observed that U.S. wheats do not compete with each other because of the unique requirements for end uses of wheat flour.

In Japan, wheat market growth appears stabilized at around 4 percent annually; the U.S. share of this market in the current year should be around 56 percent—or a total of about 84 million bushels.

Japan's greatest concern centers around reliable and dependable wheat supplies at competitive prices. While Japan imports slightly more than 4 million tons (160 million bushels), its normal stocks on hand represent an 8- to 11-week supply. This year it has been necessary to reduce inventories in order to make storage available for the country's record rice crop of 14 million tons.

A number of grain storage and food processing complexes are under construction in Japan's major port areas. While this will help alleviate the situation in the future, Japan's total grain needs will continue to grow, and it can be expected that Japan will continue to rely heavily on a system of very regular shipments.

With respect to price, the Japanese are courteous but firm in their conviction that the present wheat market is a buyer's market. Last July the Japanese Government's Food Agency, which buys all imported wheat, launched a 5-year plan to revise prices at which it resells wheat to flour millers. The objective of this plan is to reflect world wheat price differentials in the resale prices to millers. Under the old system there was little relationship between prices at which the Food Agency bought wheat and prices paid by flour millers. The revisions made last July clearly reflected the world price differential between U.S. Dark Northern Spring and Canadian Manitobas.

Prior to this, U.S. sales of DNS had been disappointing even though export prices were competitive. Now that this has been corrected, Japanese flour millers have expressed keen interest in DNS and sales have more than doubled. In the future,

The team visited the Philippine Baking School where José Vergara, left, vice president of the Philippine College of Arts and Crafts, explains operations. The College is cosponsor of the school along with Wheat Associates USA.

U.S. wheat team members see assembly line in the Instant Romen noodle factory at Funabashi, near Tokyo. The product comes preseasoned and sells for about 7 cents a serving. Noodles are the most widely used end product of wheat in Asia.

annual revisions will be made to reflect world price differentials prevailing in the preceding year. What this means is that a supplier's price behavior in a given year will have a significant effect on the amount of business he will do the next year.

Success in the Philippines

The Philippines is the largest U.S. market for Hard Red Spring wheat; exports last year totaled 17.2 million bushels. The U.S. share of the market has jumped, from 51 percent in 1964-65 to 95 percent in 1966-67. Currently the United States is holding 90 percent of the market. Philippine millers have imported small quantities of Australian Prime Hard a high-protein Hard White wheat. In addition, Canadian Manitobas offer constant competition. Soft White wheat, from the Pacific Northwest, faces competition from Australian FAQ wheats.

There are six private milling companies in the Philippines and as buyers of wheat they are very conscious of quality, grade, and price. Every effort must be made to be consistently competitive to avoid any quick sales by competitors in case U.S. prices or suppliers are temporarily out of line.

A nationwide bread promotion program is underway as a joint effort of the Philippine Flour Millers Association and Wheat Associates USA. In addition, Wheat Associates last July inaugurated a baker's training school in cooperation with the Philippine College of Arts and Crafts.

Both of these efforts seem to be quite effective as a means of increasing bread consumption in the Philippines.

Pasta products, such as macaroni and spaghetti, are emerging as a consumer item in the Philippines. One flour milling firm recently made the first purchase of U.S. Durum wheat.

Philippine flour millers are quite concerned over the growing competition they are facing from European flour imports at low prices.

Several factors in Korea contributed to a near doubling of wheat imports in calendar 1967 over earlier levels. Unfavorable weather reduced rice and potato crops throughout the country, creating a stronger demand for wheat flour for food. In addition, considerable wheat flour went into industrial uses.

Wheat imports were further accelerated by commercial credit, which became very attractive in light of prevailing high interest rates in Korea. Stocks on hand appeared more than adequate.

Nevertheless wheat consumption is increasing, and by 1972 the end of Korea's second 5-year plan estimates of wheat import needs range from 30 million to 48 million bushels. Port facilities, storage, and transportation improvements are needed, and the current 5-year plan provides for substantial undertakings in these areas.

Last year—the first year following Taiwan's transition from a P.L. 480 wheat market to a cash buyer—Taiwan bought 15.5 million bushels of U.S. wheat, representing 93 percent of total purchases. Purchases during the current year will be about 17.5 million bushels; in 1969 they are expected to be 18.5 million. Taiwan is primarily a market for Western White and medium-protein Winter wheats; however, there is growing interest in high-protein Winter and Spring wheats.

The Republic of China has an official policy to increase the production and export of rice and at the same time to increase wheat imports and consumption. This policy is motivated by economic as well as nutritional factors as the country strives for a broader based diet. This year the government will import 50,000 tons of wheat (1.8 million bushels) which will be milled into flour and traded to rice farmers for an equivalent amount of unmilled rice.

Wheat imports and the flour milling industry were completely freed from government controls in February 1967. Some new mills have been constructed, raising the total number to 36. Like other countries visited, Taiwan has excess milling capacity and competition among mills is keen. Flour prices have dropped 14 to 18 percent in the past year accompanied by a sharp increase in consumption.

Credit to Taiwan Millers

During the past year wheat traders have been extending credit to flour millers under terms that are rather attractive.

Four years ago, Wheat Associates started a modest market development program in Taiwan designed to increase consumption of wheat foods. In 1965, Wheat Associates opened an office in Taipei. This has proved to be a very timely move now that P.L. 480 has been phased out and wheat trade liberalized. American wheat is very ably represented in Taiwan through Wheat Associates, which provides market information, technical services, and promotional aid.

CROPS AND MARKETS SHORTS

Weekly Report on Rotterdam Grain Prices

Between February 28 and March 6, 1968, U.S. Soft Red Winter and Russian wheat prices increased 3 cents per bushel, while U.S. Hard Winter, 12 percent, increased 4 cents. U.S. Dark Northern Spring and Canadian wheat prices increased 1 cent. Argentine wheat remained unchanged.

Prices for South African White corn increased 1 cent, while Argentine corn was down 3 cents. U.S. corn prices were unchanged.

A listing of the prices follows.

Item	Mar. 6	Feb. 28	A year ago
	Dol. per bu.	*Dol. per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	2.01	2.00	2.21
USSR 121	1.95	1.92	(1)
U.S. No. 2 Dark Northern Spring, 14 percent	1.92	1.91	2.07
U.S. No. 2 Hard Winter, 12 percent	1.85	1.81	1.95
Argentine	1.80	1.80	1.93
U.S. No. 2 Soft Red Winter	1.76	1.73	1.94
Corn:			
U.S. No. 3 Yellow	1.39	1.39	1.62
Argentine Plate	1.53	1.56	1.64
South African White	1.44	1.43	1.57

[1]Not quoted.

Note: All quotes are c.i.f. Rotterdam and for 30- to 60-day delivery.

Indian Sugarcane Acreage Lower

India's second official estimate of sugarcane acreage for the current agricultural year (July-June 1967-68) is 8.8 percent lower than in 1966-67. Total area under sugarcane cultivation was estimated at 2,050,000 hectares (5,065,550 acres), compared with the adjusted figure of 2,248,100 hectares (5,555,055 acres) in 1966-67.

Reduced sugarcane acreage in 1967-68 reflects increased profitability of other crops, particularly grains. Despite the smaller acreage, increased yields this year are expected to result in a sugarcane production of 100 million tons compared with the 92.7 million tons in 1966-67. Partial decontrol of sugar has now changed the price position in favor of sugarcane, and larger plantings are anticipated in 1968-69.

Record Soviet Sugar Production

Indications are that the USSR had a record sugar production of 10 million metric tons of refined sugar (12 million short tons, raw value) for the 1967-68 year. This production was processed from the 1967 harvest of sugarbeets, which totaled 86.8 million tons, compared with 74.0 million tons in 1966 and the 1961-65 average of 59.2 million tons. Although yields were up, extraction rates were low. Declining sugar content in beets is a current problem in the USSR.

The latest available figures show that per capita consumption of sugar averaged 35.2 kilograms in 1966 (77.6 lb.). Total sugar consumption in that year approximated 8.23 million tons (9.86 million short tons, raw value). The most common kind of white sugar retailed sells for 0.47 ruble per one-half kilogram, or 0.94 ruble per kilogram (47.2 cents per lb.).

The USSR imported 1,840,900 metric tons of raw sugar from Cuba in calendar 1966, 21 percent less than the 2,330,000 obtained in 1965. Exports of refined sugar from the USSR amounted to 992,800 tons in 1966, up 64 percent from the 604,100 shipped abroad in 1965. The largest importers of sugar from the USSR in 1966 were Iraq, Yugoslavia, Iran, and Afghanistan; however, shipments were made to at least 25 other countries.

Australian, South African Fruit Prices

London sources have reported 1968 season opening prices for Australian and South African canned fruit in the United Kingdom. Price levels are generally above 1967 openings in pounds sterling but below last year in equivalent U.S. dollars because of the November 1967 devaluation of the British pound.

PRICES FOR SOUTH AFRICAN CANNED FRUIT

Fruit and can size	Price per dozen units					
	Fancy		Choice		Standard	
	1967	1968	1967	1968	1967	1968
	U.S. dol.	*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	*U.S. dol.*
Apricot halves:						
2 ½	3.22	2.76	3.01	--	2.87	2.52
No. 1	1.96	1.72	1.86	1.62	1.68	1.47
8 oz.	1.30	1.17	1.26	1.14	1.22	1.11
Peach halves, (Clingstone):						
2 ½	3.22	2.76	3.08	2.64	2.94	2.52
No. 1	2.01	1.72	1.94	1.66	1.86	1.59
8 oz.	1.30	1.14	1.26	1.11	1.22	1.08
Pears:						
2 ½	3.43	2.97	3.29	2.85	3.15	2.73
No. 1	2.22	1.92	2.15	1.86	2.08	1.80
8 oz.	1.33	1.20	1.30	1.17	1.26	1.14
Fruit cocktail:						
2 ½	3.99	3.69	3.78	3.51	3.64	3.39
No. 1	2.48	2.31	2.38	2.22	2.31	2.16
8 oz.	--	--	1.40	1.38	--	--
Fruit salad:						
2 ½	4.41	4.14	4.27	4.02	4.13	3.90
No. 1	2.59	2.46	2.52	2.40	2.05	2.34
8 oz.	--	--	1.47	1.44	--	--

PRICES FOR AUSTRALIAN CANNED FRUIT

Fruit and can size	Price per dozen units					
	Fancy		Choice		Standard	
	1967	1968	1967	1968	1967	1968
	U.S. dol.	*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	*U.S. dol.*
Apricot halves:						
2 ½	3.57	3.12	3.36	2.94	3.22	2.82
No. 1	2.24	1.95	2.14	1.86	2.06	1.80
8 oz.	1.47	1.32	1.40	1.26	1.36	1.23
Peach halves, (Clingstone):						
2 ½	3.40	2.94	3.26	2.82	3.12	2.70
No. 1	2.10	1.83	2.03	1.77	1.96	1.71
8 oz.	1.40	1.32	1.36	1.20	1.33	1.17
Pears, halves and quarters:						
2 ½	3.64	3.18	3.43	3.00	3.26	2.88
No. 1	2.38	2.07	2.28	1.98	2.20	1.92
8 oz.	1.50	1.32	1.44	1.20	1.40	1.23
Fruit cocktail:						
2 ½	4.13	3.84	3.92	3.66	3.78	3.54
No. 1	2.62	2.43	2.52	2.34	2.45	2.28
8 oz.	1.75	1.59	1.68	1.56	1.64	1.44
Fruit salad:						
2 ½	4.69	4.38	4.48	4.20	4.34	4.08
No. 1	2.90	2.73	2.80	2.64	2.73	2.58
8 oz.	1.89	1.80	1.82	1.74	1.78	1.68

Prices quoted are c.i.f. U.K. ports. Quantity discounts for Australian canned fruit total 1 percent for 25,000 to 49,990 cases, 2 percent for 50,000 to 99,990 cases, and 3 percent for 100,000 cases or more. Promotional allowances are 30 U.S. cents per case. Quantity discounts for South African canned fruit total 1 percent for10,000 to 20,000 cases, 1½ percent for 20,000 to 35,000 cases, and 2½ percentfor 35,000 cases or more. An additional 2 percent is allowed on fruit shipped before June 30, 1968.

U.S. Tobacco Exports Up in January

Exports of unmanufactured tobacco from the United States in January 1968 totaled 44.3 million pounds, up 20 percent from the 36.9 million shipped out in January 1967. Most of the gain was recorded in exports of flue-cured.

For July 1967-January 1968, exports of unmanufactured tobacco totaled 364.9 million pounds, 11.6 percent smaller than the 412.6 million shpped out in the similar 7-month period of fiscal 1967.

Exports of tobacco products in January 1968 were valued at $8.9 million, compared with $9.4 million in January a year ago.

U.S. EXPORTS OF UNMANUFACTURED TOBACCO IN JANUARY
[Export weight]

Kind	Quantity		Value	
	1967	1968	1967	1968
	1,000 pounds	*1,000 pounds*	*1,000 dollars*	*1,000 dollars*
Flue-cured	26,463	33,410	23,172	29,097
Burley	2,987	2,351	2,401	2,342
Dark-fired Ky.-Tenn.	1,858	2,086	979	1,132
Va. fire-cured[1]	485	536	284	350
Maryland	1,439	275	1,025	239
Green River	33	112	21	76
One Sucker	58	0	25	0
Black Fat	363	273	317	181
Cigar wrapper	102	263	360	653
Cigar binder	78	143	59	111
Cigar filler	20	19	12	12
Other	3,044	4,828	558	692
Total	36,930	44,296	29,213	34,885

[1]Includes sun-cured.
Bureau of the Census.

U.S. EXPORTS OF TOBACCO PRODUCTS

Kind	January	
	1967	1968
Cigars and cheroots		
1,000 pieces	4,619	2,796
Cigarettes		
Million pieces	1,769	1,599
Chewing and snuff		
1,000 pounds	7	28
Smoking tobacco in pkgs.		
1,000 pounds	80	127
Smoking tobacco in bulk		
1,000 pounds	771	478
Total declared value		
Million dollars	9.4	8.9

Bureau of the Census.

British Cigarette Sales Climb

Retail sales of cigarettes in the United Kingdom in 1967 reached a new record of 119.1 billion pieces, compared with 117.6 billion in 1966 and 112.0 billion in 1965.

Filter-tipped brands accounted for 65.9 percent of total sales last year, compared with 60.6 percent in 1966 and 53 percent in 1965. Continued expansion in sales of filter-tips has reduced the finished weight per 1,000 cigarettes. In 1967, the average weight of 1,000 cigarettes (including regular and filter-tips) was only 1.86 pounds, compared with 1.90 in 1966, and 1.97 in 1965. Even with the records sales of cigarettes last year; the total manufactured weight of cigarettes dropped to 221.3 million pounds, compared with 223.3 million.

Sales of smoking mixtures for pipes and hand-rolled cigarettes dropped from 29.7 million pounds in 1966 to 29.6 million in 1967. Snuff sales were 700,000 pounds—the same as in 1966—and cigar consumption rose to 1,135 million pieces from 900 million in 1966.

New Japanese Filter-Tipped Cigarette

According to a recent article appearing in *The Japan Times*, a new cigarette brand, Wakaba, was to be placed on sale in some Japanese markets on March 1. This brand was to be sold on an experimental basis. It is made with a new type of filter-tip developed by the Japan Monopoly Corporation. The new tip is made of wood pulp.

The Monopoly claims that the new filter is effective in reducing the harshness of Japanese leaf and in taking out the nicotine content of the leaf.

Prior to March 1, all filter-tipped cigarettes made in Japan contained acetate filters developed in the United States.

Mozambique and Angola Cotton Production

Mozambique and Angola together produced around 210,000 bales (480 lb. net) of cotton in 1966-67 (August-July). This is approximately the same as was produced in 1965-66 and from early indications will be about the size of the current harvest.

Production in Mozambique amounts to around 180,000 bales. A major part of the cotton in Mozambique is grown by African farmers who have given little attention to modern techniques. However, in recent years an increasing number of farmers, both European and African, are using improved varieties, more effective insecticides, and better cultural practices. These, together with substantial financial and marketing assistance from Mozambique's Cotton Institute established in 1962, point to production increases in the future. Cotton area in Mozambique now totals around 950,000 acres, but yields per acre are less than 100 pounds.

Angola produces around 30,000 bales of cotton a year. Area is thought to be around 100,000 acres.

Except for domestic consumption, estimated at around 10,000 and 15,000, respectively, for Angola and Mozambique, the entire production is exported to Portugal. The Metropolitan buyers in Portugal are legally bound to purchase all of the raw cotton available for export in the overseas Provinces.

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Agriculture in Romania Gains Momentum

Agriculture is a vital industry in the Romanian economy. Two-thirds of the population is rural, and about 55 percent of the labor force is employed by agriculture. Of an estimated 1967 gross national product of US$16 billion, agriculture's contribution was about 30 percent; 35 percent of the value of total exports was credited to agricultural products.

Romania has the best natural conditions for agriculture in Eastern Europe and its most dense land-labor ratio (3.2 acres sown per worker). Of its total area of 59.3 million acres (about the size of Minnesota), 37.1 million acres is agricultural land, and 24.7 million acres is arable. Nearly all arable land is used.

Agricultural production in Romania has made impressive gains in recent years and is one of the most rapidly expanding in Eastern Europe. In 1966 the gross agricultural product of the country was 11.6 percent more than in 1965. Plans were to increase the 1967 production by a further 5.8 percent, but the preliminary estimates indicate an increase of less than 3 percent.

Romania is a major exporter of agricultural products in Eastern Europe. It annually ships between 1 million and 1.5 million metric tons of grain, mostly corn. Its major grain markets are Western Europe and Japan. Fresh fruit exports ranged from 52,000 metric tons in 1965 to 96,000 in 1966. Canned fruit exports in 1966 were 82,000 metric tons, wines 46,000, edible vegetable oils 77,000, and fresh vegetables 130,000 metric tons. Western Europe, other Eastern European countries, and the USSR are the major fruit, vegetable, and wine markets. Eggs, animal fats, and sugar are shipped in smaller amounts.

Agricultural policy

Collectivization was not completed in Romania until 1962. Currently, about 92 percent of the agricultural land is held by state farms, by collective farms, and by members of collective farms for household plots. State farms average 7,100 acres; collective farms, which are somewhat smaller, range from 3,700 to 4,600 acres. Current Romanian discussion of agricultural policy implies that the present size of the state farms is too large for efficiency and that state farms should be adjusted to be about 2,200 acres.

The current state agricultural program, which is supposed to run from 1966 through 1970, emphasizes improved technology for increased agricultural efficiency and output. Irrigated areas have been increased, new varieties of wheat and corn have been introduced, and fertilizer application has been raised from the low level of 2 pounds per acre of active ingredients on arable land in 1955 to more than 28 pounds per acre in 1966. Other goals of the state program are increased farm prices, more machinery, and a reorganization of farm management.

Related state programs affecting agriculture are the establishment of regular monthly wages for collective farm workers, pensions for retired collective farm workers, and the establishment of the inviolability of private garden plots for collective farmers. The plots are limited to about an acre. The object of these programs is to increase the incentives of farm workers and managers.

Farm and production problems

Although total harvests are sizable, the yields per acre for both wheat and corn, Romania's two staple cereals, are low. Romanian wheat yields are below the average for Eastern Europe, and corn yields are below those of Romania's immediate neighbors, Bulgaria, Hungary, and Yugoslavia. Even so, the 1967 wheat harvest was 5.8 million metric tons, up from the 1961-65 average of 4.3 million. The 1967 corn harvest was down from the record 7.9 million metric tons of 1966 to 6.8 million tons.

Another area of concern is the discrepancy in living standards between urban and rural populations. Because of good harvests since 1965, farm income has increased somewhat; but housing, roads, schools, hospitals, and many other facilities are below urban standards.

Prices of food and commodities are fixed by the central government, and there is little evidence that a market-oriented economy, which would benefit farmers, will develop during the present 5 year agricultural program.

Considerable scope exists for increasing the domestic market for certain agricultural products. Although the per capita intake of calories in Romania (3,160 per day) is one of the highest in Eastern Europe, per capita consumption of meat, milk, eggs, and sugar is one of the lowest. Because of poor or mixed stock, inadequate care and feed, and inefficient methods, the livestock industry is not growing as rapidly as other agricultural sectors.

—ROGER E. NEETZ
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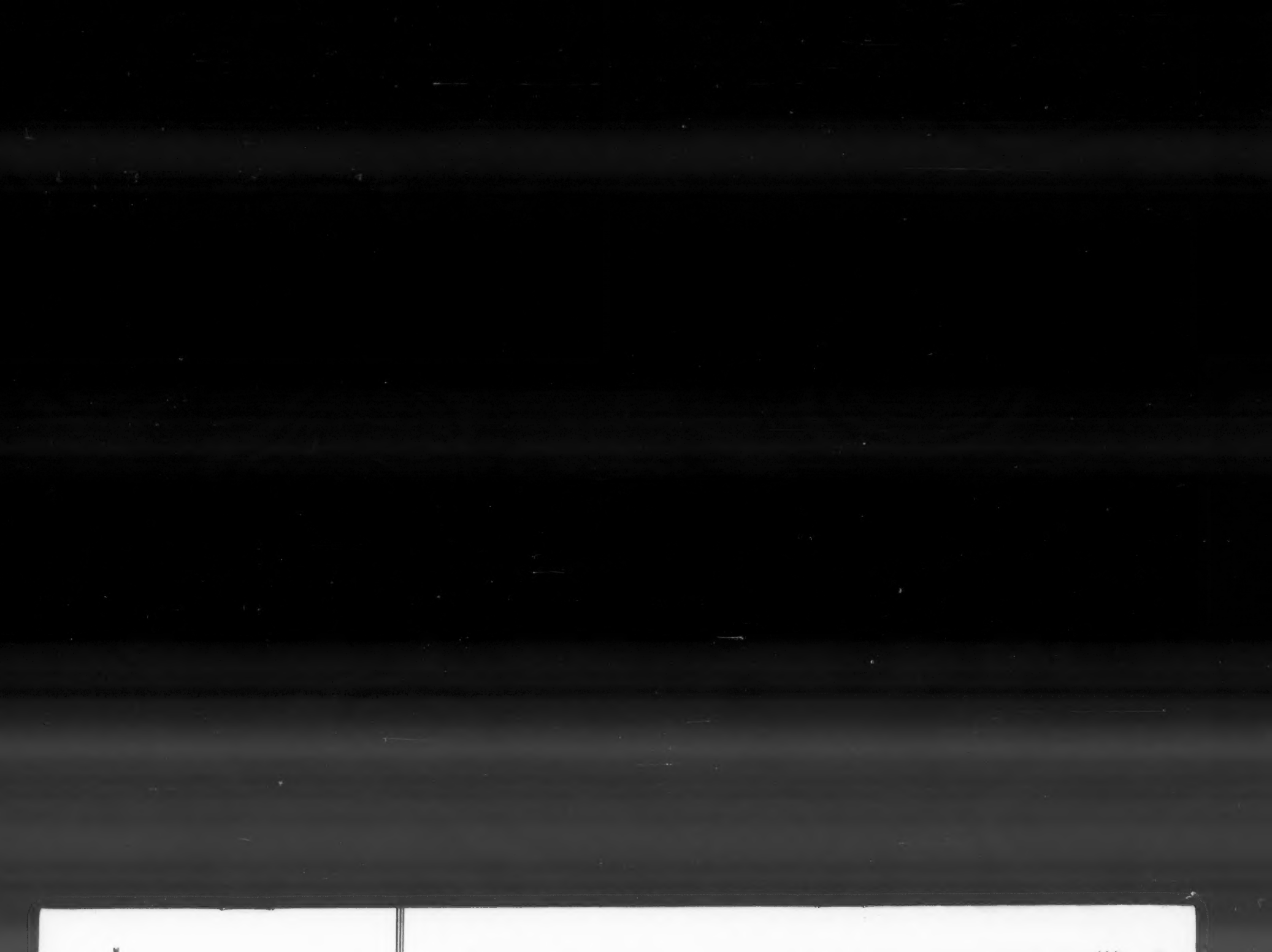
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